

Message Text

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43

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 FRB-03 COME-00 TRSE-00

OPIC-03 L-02 STR-04 CIAE-00 INR-07 NSAE-00 SP-02

OMB-01 AID-05 IGA-01 /047 W
----- 065307

R 080841Z MAY 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3124

LIMITED OFFICIAL USE MANILA 6129

PASS D. WILLIAMS, F. WOODLING/GAS/USDA

E.O. 11652: N/A

TAGS: EAGR, RP

SUBJECT: COTTON CONTRACT PROBLEM - CC CREDIT

1. FOLLOWING IS TEXT OF LETTER OF ASSURANCES AS SIGNED BY
LEONIDES VIRATA, CHAIRMAN OF DEVELOPMENT BANK OF PHILIPPINES.

THE HONORABLE WILLIAM H. SULLIVAN
AMERICAN AMBASSADOR
MANILA

DEAR AMBASSAOR SULLIVAN:

I WISH TO INFORM YOU THAT AS THE RESULT OF RECENTLY COMPLETED DIS-
CUSSIONS WITH OFFICERS OF YOUR EMBASSY AND GOVERNMENT, THE DEVELOP-
MENT BANK OF THE PHILIPPINES, AS THE AGENCY DESIGNATED BY THE
GOVERNMENT OF THE PHILIPPINES TO ACT IN THIS MATTER, HEREBY AGREES
TO THE FOLLOWING ARRANGEMENTS AND ASSURANCES RESPECTING OUTSTANDING
U.S. COTTON CONTRACTS.

1. ALL CCC CREDITS FOR COTTON OUTSTANDING AS OF THE
DATE OF THIS LETTER OR GRANTED PRIOR TO JUNE 30,
1975, WILL BE UTILIZED EXCLUSIVELY TO FINANCE
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CURRENT U.S. COTTON CONTRACTS WITH A DATE OF SALE

PRIOR TO AUGUST 1, 1974. THIS STIPULATION INCLUDES BOTH CONTRACTS WHICH ARE PAST DUE AS WELL AS CONTRACTS WITH DELIVERY DATES PRIOR TO THE END OF THE CURRENT MARKETING YEAR, JULY 31, 1975.

2. THE DEVELOPMENT BANK OF THE PHILIPPINES GUARANTEES THAT REPAYMENT DRAFTS, DRAWN BY CCC ON PHILIPPINE BANKS UNDER THE APPLICABLE LETTERS OF CREDIT, WILL BE HONORED.

3. THE DEVELOPMENT BANK OF THE PHILIPPINES WILL TAKE WHATEVER MEASURES ARE NECESSARY TO ENSURE THE OPENING OF LETTERS OF CREDIT IN ACCORDANCE WITH THE FOLLOWING PROCEDURES:

A. ALL SALES WILL BE LISTED BY MILL.
B. FOR EACH MILL THE CONTRACTS WILL BE LISTED BY TYPE OF COTTON:
TYPE A: 1-1/32 INCH AND SHORTER;
TYPE B: 1-1/16 OR OVER;
TYPE C: SAN JOAQUIN.

C. UNDER EACH TYPE, SALES (CONTRACTS) WILL BE SEPARATED INTO FOUR PERIODS BASED ON THE DELIVERY DATE IN THE CONTRACT: PERIOD I - CONTRACTS WITH DELIVERY DATES PRIOR TO NOVEMBER 30, 1974;
PERIOD II - CONTRACTS WITH DELIVERY DATES FROM DECEMBER 1, 1974 THROUGH FEBRUARY 28, 1975; PERIOD III - CONTRACTS WITH DELIVERY DATES FROM MARCH 1, 1975 THROUGH MAY 31, 1975;
PERIOD IV - CONTRACTS WITH DELIVERY DATES FROM JUNE 1, 1975 THROUGH JULY 31, 1975.

D. LETTERS OF CREDIT WILL BE OPENED ON CONTRACTS WITHIN EACH OF THESE GROUPS ACCORDING TO THE FOLLOWING SCHEDULE:

SHIPMENTS DUE PRIOR TO: L/C'S WILL BE OPENED BY:
NOVEMBER 30, 1974 (PERIOD I) JUNE 15, 1975
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FEBRUARY 28, 1975 (PERIOD II) JULY 15, 1975
MAY 31, 1975 (PERIOD III) AUGUST 15, 1975
JULY 31, 1975 (PERIOD IV) SEPTEMBER 15, 1975

E. WITHIN EACH TYPE OF COTTON THE CONTRACTS WILL BE LISTED BY DATE OF SALE, WITH THE OLDEST DATES LISTED FIRST.

F. WITHIN THE PERIODS SPECIFIED IN PARA 3 (C) AND (D) ABOVE, A MILL MAY OPEN LETTERS OF

CREDIT FOR ANY TYPE OF COTTON WHICH THE
MILL HAS ON CONTRACT. WITHIN EACH TYPE OF
COTTON INDIVIDUAL MILLS WILL OPEN LETTERS
OF CREDIT ON THE OLDEST CONTRACTS FIRST.

4. A COMPLETE AND MUTUALLY AGREED LIST OF OUTSTANDING SALES
(CONTRACTS) FOR THE CURRENT COTTON MARKETING YEAR, ORGANIZED
IN ACCORDANCE WITH THE CATEGORIES SPECIFIED IN PARAGRAPHS
3(A) THROUGH (F), IS ATTACHED AS AN ANNEX. IT IS THE
UNDERSTANDING OF THE DEVELOPMENT BANK OF THE PHILIPPINES
THAT NO FURTHER CHANGES IN THIS ANNEX WILL BE MADE SUB-
SEQUENT TO SIGNATURE OF THIS LETTER.

5. THE DEVELOPMENT BANK OF THE PHILIPPINES WILL ARRANGE FOR
FINANCING TO BE PROVIDED FOR THE SALES OF U.S COTTON
LISTED IN THE ANNEX OF THIS LETTER, OR WILL ITSELF PRO-
VIDE THE NECESSARY FINANCING, IN THOSE CASES WHICH THE
SALES IN QUESTION CANNOT BE COVERED BY CCC CREDIT.

6. AS YOU WILL RECALL, THESE ARRANGMENTS AND ASSURANCES
ARE PROVIDED ON THE EXPECTATION THAT ADDITIONAL CCC
CREDITS OF \$10 MILLION WILL BE SUPPLIED BY YOUR GOVERN-
MENT TO HELP FINANCE PURCHASES UNDER THE OUTSTANDING
CONTRACTS.

WARM REGARDS. VERY TRULY YOURS,

LEONIDES S. VIRATA
CHAIRMAN

2. FIVE COPIES OF SIGNED LETTER OF ASSURANCE AND ANNEX AIR-
POUCHED TO DUDLEY WILLIAMS, FAS/W ON MAY 9. ONE COPY POUCHED
J. WILLIAMS.
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3. PROVIDE ONE COPY VICTOR FRIEDMAN, ACEA.
SULLIVAN

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Message Attributes

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TAGS: EAGR, RP
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